

# Audit Committee Meeting Minutes

*16 August 2022*

*2.30pm*

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## SHIRE OF DALWALLINU

**MINUTES** of the Audit Committee Meeting of Council held at the Council Chambers, Shire Administration Centre, Dalwallinu on Tuesday 16 August 2022 at 2.30pm.

### **1 OPENING & ANNOUNCEMENT OF VISITORS**

The Shire President opened the meeting at 2.30pm.

### **2 ANNOUNCEMENTS OF PRESIDING MEMBER**

Nil

### **3 ATTENDANCE RECORD**

#### **3.1 Present**

Cr SC Carter (Chairperson)  
Cr KL Carter (Shire President)  
Cr MM Harms  
Cr NW Mills

Chief Executive Officer      Mrs JM Knight  
Manager Corporate Services   Mrs AI Bryant  
Executive Assistant              Mrs DJ Whitehead

#### **3.2 Apologies**

Nil

#### **3.3 Leave of Absence Previously Granted**

Nil

### **4 DECLARATIONS OF INTEREST**

Nil

### **5 PUBLIC QUESTION TIME**

Nil



## 6 MINUTES OF PREVIOUS MEETINGS – Audit Committee Meeting - 15 March 2022

The Unconfirmed Minutes of the Audit Committee Meeting held on the 15 March 2022 were received at the Ordinary Council Meeting held on Tuesday 22 March 2022.

### **"MOTION 9879**

Moved Cr NW Mills

Seconded Cr KL Carter

*That the Minutes of the Audit Committee Meeting held 15 March 2022 be received.*

**CARRIED 8/0"**

### **Recommendation**

#### **MOTION**

Moved Cr NW Mills

Seconded Cr MM Harms

That the Minutes of the Audit Committee Meeting held on 15 March 2022 be confirmed.

**CARRIED 4/0**

## 7 REPORTS

### 7.1 Shire of Dalwallinu Audit Committee Terms of Reference\*

<b>Report Date</b>	16 August 2022
<b>Applicant</b>	Shire of Dalwallinu
<b>File Ref</b>	GO/12 – Councillors Committees
<b>Previous Meeting Reference</b>	Nil
<b>Prepared by</b>	Ally Bryant, Manager Corporate Services
<b>Supervised by</b>	Jean Knight, Chief Executive Officer
<b>Disclosure of interest</b>	Nil
<b>Voting Requirements</b>	Simple Majority
<b>Attachments</b>	1. Terms of Reference Finance and Audit Committee December 2015 2. Terms of Reference Audit Committee Revised August 2022

#### **Purpose of Report**

For Council to consider the Terms of Reference for the Shire of Dalwallinu Audit Committee.

#### **Background**

Council previously adopted the Terms of Reference for the Finance and Audit Committee at the Ordinary Council Meeting held 8 December 2015 (Motion 8499).



## **Consultation**

Chief Executive Officer

## **Legislative Implications**

### State

*Local Government (Audit) Regulations 1996 s16 and s17*

## **Policy Implications**

Nil

## **Financial Implications**

Nil

## **Strategic Implications**

*Shire of Dalwallinu Strategic Community Plan 2017-2027*

Outcome 4.4.5 - Strive to ensure "best practice" local governance is maintained.

## **Site Inspection**

Site inspection undertaken: Not applicable

## **Triple Bottom Line Assessment**

### Economic implications

There are no known significant economic implications associated with this proposal.

### Social implications

There are no known significant social implications associated with this proposal.

### Environmental implications

There are no known significant environmental implications associated with this proposal.

## **Officer Comment**

To aid the staff in Audit and Risk compliance there has been a review of the 2015 Terms of Reference to adjust the requirements of the Audit Committee.

With Internal and External audits along with Risk Management becoming a vital part of the Shires operations, the Chief Executive Officer has taken on a review of the current Terms of Reference to bring them in line with the current requirements of Audit Committees.

Following Council's adoption, the Shire of Dalwallinu Audit Committee will be known as the Shire of Dalwallinu Audit and Risk Management Committee.

## **Officer Recommendation**

That the Audit Committee has reviewed the Terms of Reference and will report to council at the September 2022 Ordinary Council Meeting.



## Recommendation

### MOTION

Moved            Cr NW Mills  
Seconded       Cr MM Harms

That the Audit Committee has reviewed the Terms of Reference and will report to council at the September 2022 Ordinary Council Meeting.

4/0

## 8 GENERAL BUSINESS

### 8.1 Appointment of Independent Person to Audit & Risk Management Committee

Point 7 - **Membership** of the Audit and Risk Management Committee Charter and Terms of Reference state

*'Membership of the Committee will comprise a total of 5 members consisting of; 4 x Councillors and 1 x Independent Representative.'*

Mr Ian Hyde has expressed his interest in joining the Committee as an Independent Representative.

#### **Recommendation**

The Committee supports Mr Hyde's interest and recommend that Mr Ian Hyde be appointed to the Audit & Risk Management Committee as an Independent Representative.

## Recommendation

### MOTION

Moved            Cr KL Carter  
Seconded       Cr MM Harms

That Mr Ian Hyde be appointed to the Audit and Risk Management Committee as an Independent Representative.

CARRIED 4/0

## 9 SCHEDULING OF MEETING

The next Audit Committee Meeting will be held at a date to be decided.

## 10 CLOSURE

There being no further business, the Chairperson closed the meeting at 3.42pm.





**11. CERTIFICATION**

I, Steven Clifford Carter, certify that the minutes of the Audit & Risk Committee meeting held on the 16 August, 2022 as shown on pages 1 to 17 were confirmed as a true record at the meeting held on 00 Month 2022.

\_\_\_\_\_  
CHAIRPERSON

\_\_\_\_\_  
DATE


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## 5.3

**Terms of Reference Finance and Audit Committee**

Applicant: Finance & Audit Committee  
 File No: GO/12 Councillors Committees  
 Previous Meeting Reference: Nil  
 Attachments: Terms of Reference – Pages iii-iv of this agenda  
 Author: Keith Jones

  
 Deputy Chief Executive Officer

Disclosure of Interest: Nil  
 Date of Report: 1 December 2015  
 Senior Officer: Tony Doust

  
 Acting Chief Executive Officer

Purpose of Report

To consider the Terms of Reference for the Finance and Audit Committee and goals for the coming twelve months.

Background

The Council has previously established specific objectives and determined goals for each year following the appointment of members.

Comment

The committee should review the current goals and determine appropriate goals for the coming year. The current goals as at the front of this agenda are:

- To ensure that a long term financial plan is completed by June.
- To ensure that during the period December – February that the following are completed:
  - Form parameters for the next year's budget in line with the Shire's long term financial plans
  - Review annual financial audit report
  - Receive DCEO report for recommendation to Council
  - Review new processes implemented
  - Inspect internal procedures – desktop review
- To ensure that during the period April – May that the following are completed:
  - Review auditors contract (if required)
  - Meet with auditor (video conference, telephone or in person)
  - Review scope financial year audit
  - Review outcome of interim audit
  - Inspect internal procedures – desktop review
- To ensure that during the period July - August that the following are completed:
  - Review budget (future year)
  - Review financial report and Variances (year completed)
  - Review financial reporting (Monthly bulletin etc)
  - Inspect Internal Procedures– desktop review
  - Choose internal audit subject
- To ensure that during the period September – October that the following is completed:
  - Internal audit (chosen by committee in July).
  - Financial reports sent to the Auditor in compliance with the Act

### Policy Requirements

Nil

### Legislative Requirements

Nil

### Strategic Implications

Facilitates the development of a strategic focus in the policy direction of Council, whilst ensuring compliance with legislative requirements.

### Sustainability Implications

#### *Environment*

Nil

#### *Economic*

Nil

#### *Social (Community Consultation)*

Nil

### Financial Implications

Nil

### Voting Requirements

Simple Majority

### Officer Recommendation

That the Finance and Audit Committee terms of reference and goals below be established by the Finance & Audit Committee for 2016 and recommend to Council for adoption as follows:

### Purpose of Committee

This committee has 4 key areas of operation:

1. To undertake the duties outlined in Division 1A of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996;
2. To undertake an internal audit of Shire Operations from time to time, to ensure that Council policies are being adhered to and that resources are being used appropriately.
3. To undertake a review of the financial reports submitted to Council each month with a view to forming an opinion on them;
4. To review financial planning documents (budgets, five year financial plans, plant replacement program) to assist Council in its decision making process on such matters

### Powers of the Finance and Audit Committee

Section 7.3(1) of the Local Government Act states:

*A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint\* a person, **on the recommendation of the audit committee**, to be its auditor.*

The Finance and Audit Committee have not been delegated any of the powers of Council.

## Specific Objectives

### AUDIT

*To undertake the duties outlined in Division 1A of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996;*

- e) To accept responsibility for recommending the appointment of the Shire Auditor and reviewing their performance as appropriate.
- f) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor.
- g) To liaise with the Shire of Dalwallinu's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.
- h) May develop and recommend to Council a list of additional matters to be audited and the scope of the audit to be undertaken.
  - To maintain, review and amend the Shire of Dalwallinu's Audit Policies.
  - To ensure compliance with laws and regulations as well as use of best practice guidelines relative to auditing.
  - Provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to audits.
  - Liaise with the CEO to ensure that the Shire of Dalwallinu does everything in its power to assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995, and ensure that audits are conducted successfully and expeditiously.
  - Review the scope of the audit plan and program and its effectiveness.

*To undertake a review of the financial reports submitted to Council each month with a view to forming an opinion on them;*

- f) To establish and maintain an efficient and effective system for overseeing the management of the financial affairs of the Shire of Dalwallinu.
- g) To maintain, review and amend the Shire of Dalwallinu's Accounting Policies, in consultation with the Shire's Auditor and the Chief Executive Officer
- h) To ensure openness in the Shire of Dalwallinu's financial reporting.
- i) To liaise with the CEO to ensure the effective and efficient management of the Shire of Dalwallinu's financial accounting systems and compliance with legislation.
- j) To enhance the credibility and objectivity of internal and external financial reporting.

### FINANCE

*To review financial planning documents (budgets, five year financial plans, plant replacement program) to assist Council in its decision making process on such matters*

- a) To ensure that the Shire of Dalwallinu remains financially viable through the development of appropriate financial, asset management and strategic plans
- b) To review and where appropriate report on the progress being made towards the objectives of the Shire's financial management plans on a monthly basis
- c) To review the Shire's investment and loan portfolio to ensure that the financial resources can be allocated as and when necessary
- d) To assist in the development of the Plant Replacement Program, Capital Expenditure Program and other budget documents to ensure the Shire's long term financial stability

*To undertake an internal audit of Shire Operations from time to time, to ensure that Council policies are being adhered to and that resources are being used appropriately.*

- a) Examine the reports of the auditor after receiving a report from the CEO on the matters and determine if any matters raised require action to be taken by the Shire of Dalwallinu, and ensure that appropriate action is taken in respect of those matters.
- b) Undertake an internal review from time to time, asking for verification documents, to ensure that policies and procedures are being followed
- c) Refer any items of concern to the Shire's auditor for inclusion in the Shire's audit

#### Administrative Arrangements

The Deputy Chief Executive Officer shall provide administrative support to the Finance and Audit Committee, and carry out the directives of the Chief Executive Officer in regard to endorsed Finance and Audit Committee recommendations as approved by Council.

#### Goals for Year to October 2016

- To ensure that a long term financial plan is reviewed and updated by June.
- To ensure that during the period December – February that the following are completed:
  - Form parameters for the next year's budget in line with the Shire's long term financial plans
  - Review annual financial audit report
  - Determine an Auditor for the next 3 financial years.
  - Receive DCEO report for recommendation to Council
  - Review a new policy on Accounts Receivable collection process
- To ensure that during the period April – May that the following are completed:
  - Meet with auditor (video conference, telephone or in person)
  - Review scope financial year audit
  - Review outcome of interim audit
  - Inspect internal procedures – desktop review
- To ensure that during the period July - August that the following are completed:
  - Review budget (future year)
  - Review financial report and Variances (year completed)
  - Inspect Internal Procedures– desktop review
  - Choose internal audit subject
- To ensure that during the period September – October that the following is completed:
  - Inspect internal procedures – desktop review
  - Ensure that Regulation 17 of the Local Government (Audit) Regulations 1996 is reviewed by the CEO
  - Financial reports sent to the Auditor in compliance with the Act

#### Resolution

Moved Cr  
Seconded Cr

# Audit and Risk Management Committee Charter and Terms of Reference

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This charter document defines the membership, authority, purpose, operational guidelines, responsibilities and resources of the Shire of Dalwallinu Audit and Risk Management Committee, established by Council pursuant to Division A1, Section 7.1A of the *Local Government Act 1995* (the Act) and the *Local Government (Audit) Regulations 1996* and *Local Government Amendment (Auditing) Act 2017* (the Regulations)

## 1. NAME

The name of the Committee shall be the Shire of Dalwallinu Audit and Risk Management Committee, hereinafter referred to in its abbreviated form as the Committee.

## 2. ESTABLISHMENT

The Committee is established pursuant to Section 7.1(A) of the Act.

## 3. DISTRICT

The Committee shall operate with the local government boundaries of the Shire of Dalwallinu.

## 4. GUIDING PRINCIPLES

This Committee is established with the guiding principles in accordance with Division 1, Section 7.1A of the *Local Government Act 1995*, the *Local Government (Audit) Regulations 1996* the *Local Government (Financial Management) Regulations 1996* and the *Local Government Amendment (Auditing) Act 2017*.

## 5. OBJECTIVES

The primary objective of the Audit and Risk Management Committee is to accept responsibilities for the annual external audit and liaise with the Shire's auditor so that Council can be satisfied with the performance of the Shire of Dalwallinu (the Shire) in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies and overseeing the allocation of its



finance and resources. The Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems and compliance with legislation.

The Committee is to facilitate:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- effective management of financial and other risks and the protection of Shire assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

## 6. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee will be –

### 6.1 External Audits

- 1 Provide guidance and assistance to Council as to carrying out the functions of the local government in relation to auditors;
- 2 Meet with the auditor once in a year to provide a report to Council on the matters discussed and outcome of these discussions;
- 3 Liaise with the CEO to ensure that the local government does everything in its power to -
  - Assist the auditor to conduct the audit and carry out his or her other duties under the act; and
  - Ensure that audits are conducted successfully and expeditiously;
- 4 Examine the reports of the auditor after receiving a report from the CEO on the matters to -
  - Determine if any matters raised require action to be taken by the Shire; and
  - Ensure that appropriate action is taken in respect of those matters;
- 5 Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the Auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time.

### 6.2 Internal Audits

- 1 Review the scope of the audit plan and program and its effectiveness;
- 2 Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;
- 3 Review the level of resources allocated to internal audit and the scope of its authority;
- 4 Review reports of internal audits and by monitoring the implementation of recommendations made by the audit and reviewing the extent to which Council and management reacts to matters raised;
- 5 Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- 6 Review the annual Compliance Audit Return and report to the Council the results of that review.



### 6.3 Risk Management

- 1 Monitor the risk exposure of the Shire by determining if management has appropriate risk management processes and adequate management information systems;
- 2 Review the CEO's report on the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report the results or their consideration of that review to Council;
- 3 Monitor the progress of any major lawsuits facing the Council/Shire;
- 4 Monitor ethical standards and related party transactions by determining whether the systems of control are adequate and appropriate;
- 5 Review issues relating to national competition policy, financial report by Shire business units and comparative performance indicators.

### 6.4 Business Continuity

- 1 Ensure a sound and effective approach has been followed in establishing the Shire's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested;
- 2 Oversee the periodic review of the Business Continuity Framework.

### 6.5 Financial Reporting

- 1 Review the Shire's draft annual financial report, focusing on –
  - Accounting policies and practices;
  - Changes to accounting policies and practices;
  - The process used in making significant accounting estimates;
  - Significant adjustments to the finance report (if any) arising from the audit process;
  - Compliance with accounting standards and other reporting requirements; and
  - Significant variance from prior years.
- 2 Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual report is signed.

### 6.6 Internal Control

- 1 Ensure managements approach to maintaining an effective Internal Control Framework is sound and effective;
- 2 Ensure management has in place relevant policies and procedures, including CEO's instructions or their equivalent, and that these are periodically reviewed and updated;
- 3 Ensure appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with;
- 4 Ensure appropriate policies and supporting procedures are in place for the management and exercise of delegations.

### 6.7 Fraud & Corruption Prevention

- 1 Review the Shire's fraud control arrangements to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities;





- 2 Receive and consider information and advice presented by the CEO on the strategies and controls to manage fraud and corruption risks at the Shire;
- 3 Provide oversight over the Shire's exposure and issues raised in relation to fraud and corruption.

#### **6.8 Other Responsibilities**

- 1 Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's term of reference;
- 2 Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's term of reference following authorisation from Council.

### **7. MEMBERSHIP**

Membership of the Committee will be appointed by absolute majority decision of Council and can include non-elected members, must include at least 3 Councillors and Councillors must comprise the majority of the Committee.

Neither the Chief Executive Officer nor any other employee of the Local Government can be a member of the Committee.

Membership of the Committee will comprise a total of 5 members consisting of; 4 x Councillors and 1 x independent representative.

### **8. MEETINGS**

#### **8.1. Annual General Meeting**

Nil

#### **8.2. Committee Meetings**

The Audit and Risk Committee shall meet at least once every three months. A schedule of meetings will be developed and agreed to by the members. As a guide, meetings will be arranged to coincide with Council reporting deadlines, for example, in February / March to discuss the Statutory Compliance Return and in October to receive and authorise the draft annual report including the financial statements prior to its submission to the Minister. Additional meetings will be scheduled on an as needed basis.

#### **8.3. Quorum**

The Quorum for any meeting of the Committee is at least 50% of the number of member positions prescribed on the Committee, whether vacant or not, which equates to two (2) members being present to constitute a quorum.

#### **8.4. Voting**

Shall be in accordance with Sections 5.201 and 7.1C of the Act, with all members of the Committee entitled and required to vote (subject to financial and proximity interest provisions of the Act).

#### **8.5. Minutes**

Shall be in accordance with the Act, Section 5.22.



#### **8.6. Presiding Person**

The members will elect the Presiding Person and if required, Deputy of the Committee pursuant to the Act, Section 5.12.

#### **8.7. Who acts if no presiding member?**

Shall be in accordance with the Act, Section 5.14

#### **8.8. Meetings**

Meetings are not open to the public as the Committee does not have delegated power or duty.

#### **8.9. Members Conduct**

Members of the Committee are bound by the:

- Provision of Section 5.65 of the *Local Government Act 1995*;
- Shire of Dalwallinu Standing Orders Local Laws 2014;
- Shire of Dalwallinu Code of Conduct;
- *Local Government (Model Code of Conduct) Regulations 2021*; and
- Clause 34C of the *Local Government (Administration) Regulations 1996*.

With respect to their conduct and duty of disclosures of financial, proximity or impartiality interests, to the extent stated, dependent upon whether they are a Councillor, Employee of Local Government or a Community Member (community members are not bound to declare impartiality interest, unlike Councillors and Employees of Local Government nor are they bound by the Rules of Conduct Legislation).

#### **8.10. Secretary**

The Executive Assistant or that Officer's nominee will fulfil the role of non- voting secretary who will be responsible for preparation and distribution of agendas and minutes.

#### **8.11. Meeting Attendance Fees**

Nil

#### **8.12. Reporting**

The Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision making by Council in relation to the legislative functions and duties of local government that have not been delegated to the CEO.

Decisions of the Committee are to be made by simple majority.

Reports and recommendations of each Committee meeting requiring a resolution of Council shall be presented to the next ordinary meeting of Council or the first ordinary meeting of Council practicable.

### **9. DELEGATED AUTHORITY TO THE COMMITTEE**

No Delegation



**10. STRATEGIC ALIGNMENT**

The specific tasks and actions undertaken by this committee will assist the Shire of Dalwallinu in achieving the following aspirations and objectives as contained within the Strategic Community Plan.

**Objective: Strategic alliance to best serve Dalwallinu**

4.4.5	Strive to ensure “best practice” local governance is maintained
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